

Sadaqah Synergy: Unveiling the Soul of Zakat Accounting

Syed Zahiruddin Bin Syed Musa, Michelle Adlyn Anak Freddie
Mail

Universiti Islam Malaysia, Bangunan Aisyah, Lot 287, Jalan 16/3, Seksyen 16, 46350,
Malaysia

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v14-i1/20598>

DOI:10.6007/IJARBSS/v14-i1/20598

Published Date: 15 January 2024

Abstract

Zakat, one of the five pillars of Islam, is an obligatory form of charitable giving in Malaysia. Zakat accounting refers to the financial management and reporting of zakat funds collected and distributed by Islamic institutions in Malaysia. It plays a crucial role in ensuring transparency, accountability, and effective utilization of zakat resources. In Malaysia, zakat accounting is governed by the Zakat Management Centre (ZMC), which is responsible for collecting, managing, and distributing zakat funds. The ZMC follows the guidelines set by the Shariah Advisory Council and the Malaysian Accounting Standards Board, ensuring compliance with Islamic principles and accounting standards. In Peninsular Malaysia, there is In Peninsular Malaysia, the main Zakat Board is known as "Pusat Pungutan Zakat-MAIWP". In Sarawak, the Zakat authority is known as "Tabung Baitulmal Majlis Islam Sarawak". In Sabah, the Zakat authority is known as "Perbadanan Baitulmal Negeri Sabah". The research objectives of this article consist of three, which are: (1) Identifying which types of zakat have more payers. (2) Identifying if the digital payment for zakat is comfortable for zakat payers. (3) Investigating the awareness and understanding of zakat accounting among customers. This research uses a quantitative method to measure the research objective. There are 200 zakat payers chosen, but the researcher only receives 165 answers from the respondents. The questionnaire is divided into three components. The results of the survey found that most of the respondents pay for zakat income. Then, most of the respondents used digital payment to pay for their zakat, and they found that it was convenient and easy to use. Last but not least, most of the respondents are also aware of and understand the principle of zakat accounting and why it is important.

Keywords: Zakat Accounting, Islam, Malaysia, Zakat Management

Introduction

Zakat, also spelled as "*zakah*," is one of the Five Pillars of Islam and is an obligatory form of almsgiving or charitable giving in Islamic finance and practice. It is considered a fundamental religious duty for Muslims, and its primary purpose is to redistribute wealth within the Muslim

community, promote social justice, and provide for the less fortunate. The term "zakat" is derived from the Arabic root word "zakaa" which means clean and pure (*As-Syams* 91:9). In essence, zakat involves Muslims giving a portion of their wealth, typically 2.5% of their savings and assets (such as gold, silver, cash, and investments), to help those in need (Ya'qub & Sarwar, 2015). It is meant to support various categories of recipients, including the poor, the needy, those in debts, travelers in need, and others who may be eligible for zakat according to Islamic jurisprudence. Zakat is not optional; it is a religious obligation for financially capable Muslims. It is also distinct from other forms of voluntary charity, known as "*sadaqah*," which are encouraged but not obligatory (Abu-Nimer, 2020). The practice of zakat is an important aspect of Islamic ethics and plays a vital role in the welfare of the Muslim community and the promotion of social and economic justice.

Problem Statement

The first problem statement is in order to effectively allocate zakat resources and ensure maximum impact, it is crucial to understand the preferences and motivations of individuals when it comes to different types of zakat. Therefore, the problem at hand is to identify the types of zakat that have a higher number of payers, in order to inform targeted strategies for promoting and encouraging zakat contributions in those specific areas. Second problem statement is many individuals and organizations are increasingly adopting digital payment methods for zakat, but it is unclear whether these methods are comfortable for zakat payers. This research aims to investigate the level of comfort and satisfaction among zakat payers using digital payment platforms for zakat transactions. By understanding the challenges and concerns faced by zakat payers, this study will contribute to improving the user experience of digital payment systems for zakat, ultimately increasing the adoption and effectiveness of these platforms in facilitating zakat payments. The third problem statement is there is a lack of research on the level of awareness and understanding of zakat accounting among customers. This research aims to fill this gap by investigating the knowledge and comprehension of zakat accounting principles and practices among customers. By identifying the gaps in understanding, this study will contribute to improving the education and awareness initiatives related to zakat accounting, ultimately ensuring that customers are able to accurately calculate and fulfil their zakat obligations.

Research Objectives

1. Identifying which types of zakat that has more payer.
2. Identifying if the digital payment for zakat is comfortable for Zakat Payers.
3. Investigating the awareness and understanding of Zakat accounting among customers.

Background of the study

According to Ismail et al (2015), accounting and valuation of zakat is important which it helps to determine the payment of zakat and it is important feature to any business activity and investment. Zakat valuation involves determining the value of eligible assets for the purpose of calculating the amount of zakat that an individual must pay accordance with Islamic principles.

There are overview of how zakat valuation is conducted which as listed below

Identify Zakat-Eligible Assets

Begin by identifying the assets that are subject to zakat. Common zakat-eligible assets including the cash, savings, gold, silver, income-generating investments, business inventory, and certain types of agricultural produce.

Current Market Value

For assets such as cash and financial investments (example, stocks, bonds), the valuation is straightforward. The zakat amount is usually calculated based on their current market values.

Gold and Silver

The value of gold and silver should also be determined based on their current market prices per unit of weight (example, per gram or per ounce).

Business inventory

If owner of business, the valuation of zakat-eligible inventory can be more complex. Generally, assess the market value of the inventory items. Some Islamic scholars recommend using the lower cost or market value to ensure fairness.

Real estate

Real estate holdings can be zakat-eligible, but they are typically not subject to zakat unless they are intended for sale. In such cases, the market value of the real estate should be considered.

Agricultural produce

Zakat on agricultural produce depends on factors such as type of crop, whether it was irrigated naturally or artificially, and whether it was grown with minimal effort. Different rules apply to different situations, and consultations with Islamic scholars may be necessary.

Exclusions

Personal assets such as the family house, personal vehicle and household items are generally not subject to zakat.

Liabilities deduction

Before calculating zakat, individuals and businesses can deduct any outstanding debts and obligations from their zakat-eligible assets. This can reduce the overall zakat liability.

Calculation

Zakat is usually calculated as a percentage (typically 2.5%) of the total value of zakat-eligible assets after deducting liabilities.

Payment and distribution

Once the zakat amount is calculated, it should be paid and distributed to qualified recipients as per Islamic guidelines, such as the poor, needy, those in debt, and other in need..

Zakat valuation need to conduct with diligently and in accordance with Islamic principles and guidance provided by knowledgeable scholars or experts in Islamic finance. Accurate

valuation ensures that zakat is paid correctly and fulfils the religious obligation of helping those in need. In summary, zakat is a fundamental Islamic practice that emphasizes the importance of wealth sharing, social justice, and compassion for those in need. It is not only a financial obligation but a spiritual act that reinforces the principles of generosity and solidarity within the Muslim community and society at large.

The Genesis of Islamic Accounting in Malaysia

The emergence of Islamic accounting in Malaysia has been a significant development in the field of finance and accounting. Malaysia, a predominantly Muslim country, has played a pioneering role in the evolution and implementation of Islamic financial principles. Below shows the detailed historical account, key developments, and examples of its practical applications.

Historical Background

The history of Islamic accounting in Malaysia can be traced back to the 1960s when Malaysia began exploring the integration of Islamic principles into its financial system. It was primarily driven by the desire to align financial practices with Islamic values and to cater to the financial needs of its Muslim majority population.

Key Developments

Establishment of Bank Islam Malaysia Berhad (BIMB)

One of the watershed moments in the history of Islamic accounting in Malaysia was the establishment of Bank Islam Malaysia Berhad (BIMB) in 1983. BIMB was Malaysia's first Islamic bank, and it set the stage for the development of Shariah-compliant financial products and services. BIMB's financial statements and accounting practices adhered to Islamic principles, laying the groundwork for subsequent developments.

Formation of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)
In 1990, Malaysia, along with other Islamic countries, played a pivotal role in the formation of AAOIFI. This international body was established to develop accounting and auditing standards for Islamic financial institutions worldwide. Malaysia actively contributed to the development of AAOIFI's standards, ensuring that Islamic accounting practices became globally recognized and standardized.

Introduction of the Islamic Financial Services Act (IFSA) 2013

The Malaysian government introduced the IFSA in 2013, a comprehensive regulatory framework for Islamic financial institutions. Under this legislation, the Malaysian Accounting Standards Board (MASB) was empowered to issue Shariah-compliant accounting standards, thus formalizing the integration of Islamic accounting into the country's regulatory framework.

Practical Applications

Shariah-Compliant Financial Reporting

Malaysian companies that operate in compliance with Islamic principles are required to prepare financial statements in accordance with Shariah-compliant accounting standards issued by MASB. These standards ensure that financial reporting reflects the true financial position and performance of the company while adhering to Islamic ethical principles.

Islamic Banking and Finance

Islamic banks in Malaysia offer a range of financial products, such as Islamic bonds (sukuk), Islamic investment funds, and Islamic insurance (takaful). These institutions follow Islamic accounting practices, ensuring that their operations are free from interest (riba) and other prohibited elements.

Shariah Audits

Shariah audits are conducted by qualified Shariah scholars to ensure that financial institutions and businesses in Malaysia comply with Islamic principles. These audits examine financial transactions, investments, and compliance with Islamic ethical guidelines.

The development of Islamic accounting in Malaysia has been a transformative journey that aligns financial practices with Islamic principles. The establishment of BIMB, the contribution to AAOIFI, and the enactment of the IFSA 2013 have been pivotal moments in shaping the landscape of Islamic accounting in the country. Today, Malaysia stands as a global leader in Islamic finance, with a robust framework for Shariah-compliant financial reporting and a thriving Islamic banking sector. Islamic accounting in Malaysia serves as a model for other countries seeking to integrate Islamic financial principles into their economies, demonstrating the potential for harmonizing finance with ethical values.

Literature Review

The Purpose of Zakat

Zakat is an obligatory form of charitable giving in Islam. It is one of the five pillars of Islam and involves giving a portion of one's wealth to help those in need. Zakat accounting in Malaysia ensures transparency, accountability, and effective utilization of zakat funds. The Zakat Management Centre (ZMC) collects, manages, and distributes zakat funds in accordance with Islamic principles and accounting standards. This involves collecting zakat, investing the funds ethically, maintaining accurate records, preparing financial statements, and distributing zakat to eligible recipients. Zakat accounting in Malaysia aims to uphold the principles of zakat and contribute to socio-economic development. The purpose of zakat is multifaceted and encompasses several significant objectives. There are several purpose of zakat that can be found which as listed below

Spiritual Fulfillment

Zakat is an essential religious duty in Islam, and fulfilling it is seen as a means of purifying one's wealth and soul. It is a way for Muslims to demonstrate their devotion to Allah and their willingness to share their blessings with those in need.

Redistribution of Wealth

Zakat is a mechanism for redistributing wealth within the Muslim community. It ensures that wealth doesn't accumulate in the hands of a few and helps to bridge the economic gap between the rich and the poor. In a similar vein, Taheri (2001) asserted that zakat is an important tool in establishing social justice among the Muslim community by distributing the wealth of the rich among the less fortunate.

Poverty Alleviation

One of the main purposes of Zakat is to alleviate poverty and provide for the basic needs of the less fortunate. It helps provide food, clothing, shelter, and other essentials to those who are struggling financially. Islam has clearly prescribed the eight groups of zakat recipients (asnaf) as stated in the Holy Quran (Surah At-Taubah 9: 60). The eight groups are the needy, the poor, the zakat collectors (amil), new converts to Islam (mualaf), slaves (ar-riqab), debtors (gharimin), Muslims who strive in the way of Allahs.w.t (fisabilillah), and the wayfarers (ibnu sabil).

Social Welfare

Zakat is also used to support various social welfare programs and initiatives. It can be used to fund hospitals, schools, and other public facilities that benefit the community as a whole.

Community Solidarity

By giving Zakat, Muslims are encouraged to develop a sense of community and solidarity. It fosters a spirit of mutual support and caring for one's fellow believers.

Accountability

The act of giving Zakat is not just about helping others but also about being accountable for one's wealth. It encourages responsible financial management and ethical business practices.

Purification of Wealth

Zakat purifies the wealth of the giver, as it is considered a form of atonement for sins and a means of cleansing one's assets.

It is important to note that Zakat is calculated based on a specific percentage of a Muslim's accumulated wealth, and it must be given to specific categories of recipients, such as the poor, the needy, those in debt, travelers in need, and others. Zakat is typically given annually, and it is a fundamental duty for Muslims who meet the criteria for its application.

Types of Zakat

There are several types of zakat in Malaysia

Zakat al-Fitr (Fitrana)

This is a mandatory almsgiving that is obligatory for every Muslim who can afford it. It is typically given at the end of the fasting month of Ramadan, just before the Eid al-Fitr festival. The purpose of Zakat al-Fitr is to purify those who fast from any indecent act or speech and to help the poor and needy.

Zakat al-Mal

This is the most common form of zakat and is often simply referred to as "zakat." It is a yearly almsgiving on wealth and assets, including money, gold, silver, and other tangible assets. Muslims who meet certain criteria must give a portion (usually 2.5%) of their accumulated wealth to those in need.

There are also other types of zakat in Islam which as listed below

Zakat al-Khair

This type of zakat refers to donations made for general charitable purposes, including supporting educational institutions, hospitals, and other community development projects. It is often given voluntarily by Muslims to support various charitable causes.

Zakat al-Adha

This form of zakat is also known as Qurbani or Udhiyah. It is obligatory during the Islamic festival of Eid al-Adha (the Festival of Sacrifice). Muslims who can afford it are required to sacrifice an animal (usually a goat, sheep, cow, or camel) and distribute the meat among family, friends, and those in need.

Zakat al-Amwal

This refers to zakat on business income or profits. Muslims who own a business or earn income from investments are required to pay a portion of their profits (usually 2.5%) as zakat to help the less fortunate.

Zakat al-Sadaqah

This is voluntary charity given by Muslims to help those in need. It is not obligatory like the other forms of zakat, but it is highly recommended in Islam. Sadaqah can be given at any time and in any amount.

Figure below shows the types of Zakat according to Migdad (2019)

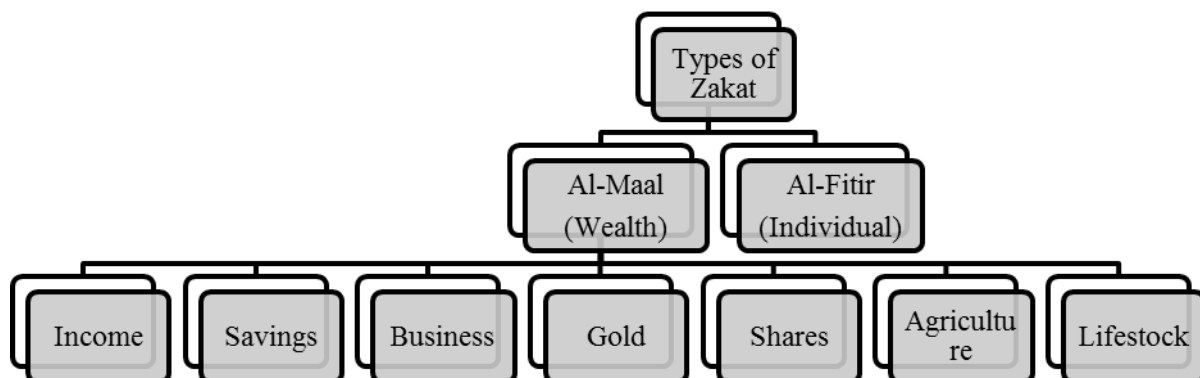


Figure 1: Types of Zakat
(Source: Migdad, 2019)

It's important to note that the specific rules and calculations for zakat can vary depending on the Islamic school of thought and local customs. Muslims are encouraged to calculate and distribute their zakat according to the guidelines provided by their religious authorities and scholars.

Government Agency

In Malaysia, including Sarawak and Sabah, the administration of zakat (Islamic almsgiving) is primarily handled by state-level agencies known as "Lembaga Zakat" or Zakat Boards. Each state in Malaysia has its own Zakat Board responsible for collecting and distributing zakat funds. These boards are established under the state's Islamic Religious Council (Majlis Agama Islam) and operate independently in their respective regions.

In Peninsular Malaysia, the main Zakat Board is known as "Pusat Pungutan Zakat-MAIWP". "Lembaga Zakat Selangor" (Selangor Zakat Board) for the state of Selangor, "Lembaga Zakat Negeri Kedah" (Kedah Zakat Board) for Kedah, "Lembaga Zakat Negeri Kelantan" (Kelantan Zakat Board) for Kelantan, and so on.

In Sarawak, the Zakat authority is known as "Tabung Baitulmal Majlis Islam Sarawak". In Sabah, the Zakat authority is known as "Perbadanan Baitulmal Negeri Sabah". These Zakat Boards are responsible for collecting zakat from eligible Muslims in their respective regions and distributing the funds to those in needs, in accordance with Islamic principles. They also carry out various social and charitable programs to support the welfare of the Muslim community in their areas. There are collection center of Zakat in each Malaysia which is known as Zakat Collection Center (ZCC). This center follow the religious council that is in charge of each state in collecting and disbursement. There are also a consultant or specialist that help and support zakat payers with giving them a clear guidance.

Figure below shows the Zakat Management and Collection in Malaysia according to Migdad (2019).

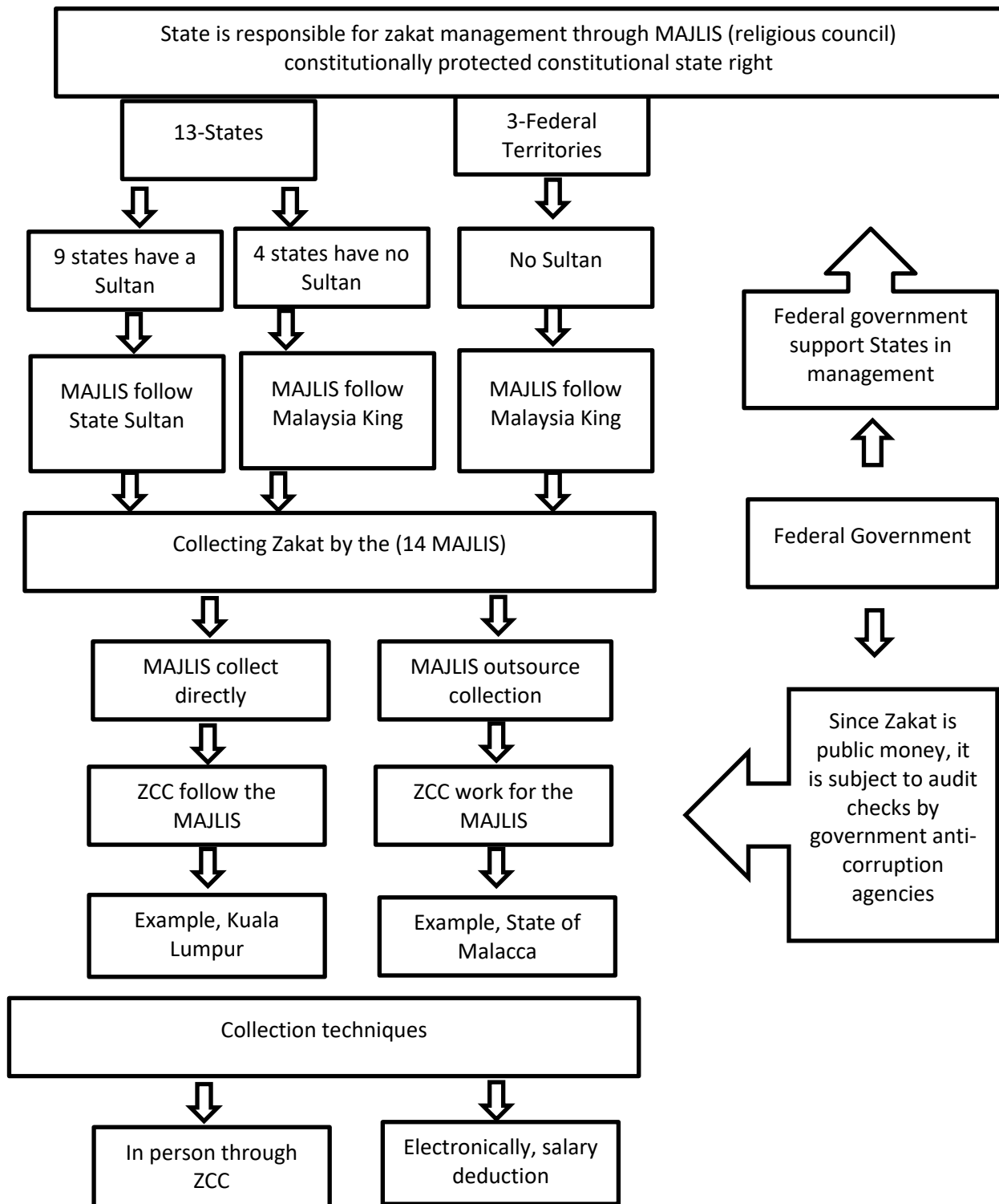


Figure 2: Zakat management and collection in Malaysia. (Source: Migdad, 2019)

Zakat Accounting

Zakat accounting refers to the financial and accounting practices related to the calculation, collection, and distribution of Zakat, which is one of the Five Pillars of Islam and an obligatory form of almsgiving for Muslims. Zakat is a form of wealth redistribution and charity aimed at helping those in need and promoting social justice within the Muslim community.

Here are some key aspects of Zakat accounting

Calculation

Zakat is typically calculated as a fixed percentage (usually 2.5%) of a Muslim's wealth or assets, including savings, investments, and certain types of property. Zakat accountants or financial professionals help individuals and businesses determine the precise amount they owe based on Islamic guidelines.

Record-keeping

To ensure accurate calculation and compliance with Islamic principles, individuals and businesses must maintain records of their financial assets and liabilities. Zakat accountants may assist in maintaining these records.

Zakat Collection

Zakat is collected from those who owe it, and it is their responsibility to distribute it to eligible recipients. Zakat accountants may assist in collecting and disbursing Zakat funds, ensuring that they reach the intended beneficiaries.

Eligibility Assessment

Zakat accountants may also be involved in assessing the eligibility of recipients (often referred to as "*mustahiqqeen*") to ensure that Zakat funds are distributed to those in genuine need and in accordance with Islamic guidelines.

Compliance

Zakat accounting involves ensuring that individuals and businesses adhere to Islamic principles when calculating, collecting, and distributing Zakat. This includes avoiding any form of fraud or evasion.

Reporting

Individuals and organizations may be required to provide reports or documentation regarding their Zakat contributions and distributions. Zakat accountants can help prepare these reports in accordance with Islamic financial standards.

Investment Guidance

Some individuals and organizations may choose to invest their Zakat funds to generate income for charitable purposes. Zakat accountants can provide guidance on ethical and Sharia-compliant investment options.

Zakat accounting plays a crucial role in ensuring that Muslims fulfill their religious obligation to give Zakat correctly and that the funds are used to support those in needs and promote economic justice. It combines principles of Islamic finance and accounting with the broader goal of charitable giving and social welfare. According to Abu Bakar (2007), accounting

standard is referring to the guidelines of accounting that has been developed to deals with specific financial accounting and reporting issue. At the level of international as mentioned by Abu Bakar (2007), it is known as the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI), which is a Bahrain-based accounting and auditing standard-setting body. It has issued a Financial Accounting Standard (FAS 9) for zakat which is effectively implemented on 1 January 1999 onward. It is focus more on Islamic banks.

Abu Bakar (2007) has listed eight (8) disclosure requirements based on AAOIFI FAS 9, in the notes accompany the financial statements which is as listed below

- a. Methods of zakat measurement used.
- b. Rule of the Islamic bank's Shari'ah supervisory board on zakat-related issues that are not include in this standard.
- c. If or not the Islamic bank, as a holding company, pays its share of its subsidiaries' zakat duty.
- d. Amount of zakat due from each share, in case the Islamic bank does not pay zakat.
- e. Amount of zakat due from equity of investment account holders.
- f. If or not Islamic bank collecting and paying zakat on behalf of those of holders who have investment and other accounts.
- g. Limitation imposed by Islamic bank's Shari'ah supervisory board in determine the zakat base.
- h. Requirement disclosure listed in "Financial Accounting Standard No. 1: General Presentation and Disclosure in the Financial Statements of Islamic Banks and Financial Insitutions" shall be observed.

At the national level, there is Malaysian Accounting Standard Board (MASB). They had developed Financial Reporting Standard: Presentation of Financial Statements of Islamic Financial Institutions (FRS *i-1*). The MASB job duties is develop and issue standards relate to accounting and financial reporting procedures in Malaysia. Other than that, they also issue new accounting standards as approved accounting standards as well as review, revise or adopt current accounting standards as approved accounting standards. FRS *i-1* is the first Islamic accounting of MASB which design accounting standard specifically to meet the needs of Islamic financial practices and Malaysia' regulatory and economic structures. Furthermore, there is also accounting for corporate zakat known as Technical Release *i-1* on "Accounting for Zakat on Business" (TR *i-1*) effectively implemented on 1 July 2006. This has not same as standard legal force. A technical release providing guidance on applying generally accepted accounting principles to resolve a particular accounting issue.

As written by Abu Bakar (2007), there are five reasons for develop accounting principles for zakat (Barjoyai) which is as listed below

- a. Observing minimum standard of disclosure of financial position and performance to the zakat center as the zakat collector and also to general public as a stakeholders for zakat in the companies
- b. Assisting the collector of zakat to determining the amount of zakat to be paid in a timely and efficient manner
- c. Helping companies and shareholders identify zakat obligations and approve zakat payments at the Board of Directors' meeting and the annual general meeting

- d. Creating homogeneity in the format and presentation of information concern zakat potential of the state's companies, so, the state can develop appropriate planning for the collection and distribution activities
- e. When company are given power to distribute their zakat to various beneficiaries (in the long run), it will become important public information when company disclose the distribution of zakat payment to different parties in the companies' in the financial statements

Practise of Zakat Accounting in Malaysia

Zakat is an important aspect of Islamic financial and social responsibility, and it plays a significant role in Malaysia. The practice of zakat accounting in Malaysia involves specific guidelines and regulations to ensure that individuals and businesses fulfill their zakat obligations correctly and transparently.

Here is an overview of zakat accounting in Malaysia:

Zakat Institution

In Malaysia, zakat collection and distribution are typically managed by state-level Zakat institutions. Each state has its own Zakat institution responsible for collecting and distributing zakat funds.

Eligibility

Individuals and businesses that meet specific criteria are obliged to pay zakat. These criteria may vary depending on the state's regulations but usually involve factors like income, wealth, and assets.

Zakat Calculation

Zakat is calculated as a percentage (usually 2.5% or more) of an individual's or business's eligible assets, such as savings, investments, and income.

Zakat Records

It is essential for individuals and businesses to maintain accurate records of their financial transactions and assets to determine their zakat liability. This includes documenting income, expenses, investments, and other financial activities.

Financial Auditing

Some businesses, especially those operating in Islamic finance and banking sectors, are subject to financial audits by Shariah-compliant auditors. These audits ensure that zakat calculations and distributions are in line with Islamic principles.

Zakat Collection

Zakat can be paid directly to the state's Zakat institution or through designated collection centers. Many banks in Malaysia also facilitate zakat payments, making it more accessible for individuals and businesses.

Zakat Deduction at Source

Some employers and financial institutions in Malaysia may facilitate zakat deduction at source. This means that zakat is deducted from an individual's or business's income or financial transactions before they receive it.

Annual Zakat Statement

Individuals and businesses are required to submit annual zakat statements to the relevant Zakat institution, declaring their zakat contributions. These statements are used to assess zakat liabilities accurately.

Zakat Distribution

The collected zakat funds are distributed to various categories of recipients, including the poor and needy, orphans, the elderly, and those in financial distress. The Zakat institutions ensure that the funds are distributed according to Islamic principles.

Transparency and Accountability

Zakat institutions in Malaysia are expected to maintain transparency and accountability in their operations. They publish annual reports detailing their collections, distributions, and expenses.

Tax Deduction

In Malaysia, individuals and businesses can enjoy tax deductions for zakat contributions made to approved institutions. This incentive encourages greater participation in zakat contributions.

Penalties

Failure to fulfill zakat obligations can result in penalties or legal consequences, although these penalties are typically imposed as a last resort.

It is important to note that specific zakat accounting practices may vary slightly from state to state in Malaysia, as each state has its own Zakat institution and regulations. Individuals and businesses are advised to consult with their local Zakat institution or a qualified Islamic financial advisor to ensure compliance with zakat accounting requirements.

Zakat Collection Centre (ZCC) – MAIWP

This is zakat institution to collect Zakat. Their main activities is to carry out preach and promotional activities toward raising the awareness of Muslims on the obligation of zakat. Besides, they also collect zakat on behalf of the Federal Territory Islamic Religious Council and manage the Zakat Collection Centre. This is relevant because it shows the data of payers of zakat.

Below is the statistics of the collection and payers of Zakat

Zakat Collection Performance (PPZ – MAIWP 2022)

Table 1

Zakat Collection Performance

Case	2022	2021	Differences	+/- (%)
New Payer	85,744	125,776	-40,032	-32
Repeat Payer	253,353	244,524	+8,829	+4
Total Payer	339,097	370,300	-31,203	-8
Total Collection	RM928.30 million	RM821.74 million	RM106.56 million	+13
Average Payment	RM2,737.57 per Payer	RM 2219.12 per Payer	RM518 per Payer	+23

Below is the total payer according to the types of zakat.

Table 2

Payer according to the types of zakat.

Types of zakat	2022	2021	Differences	+/- (%)
Income	198,825	193,456	5,369	+3
Business	4,559	5,326	-767	-14
Savings	38,159	30,660	7,499	+24
Mal	6,368	6,103	265	+4
Qadha	878	1,012	-134	-13
Others	150,276	195,682	-45,406	-23
Total Payer	399,065	432,239	-33,174	-8

**Notes: Real total of payer in 2022 is 339,097 and 2021 is 370,300 with different payer follow the types of zakat because payers can make payment more than one type of zakat.

Theoretical Framework

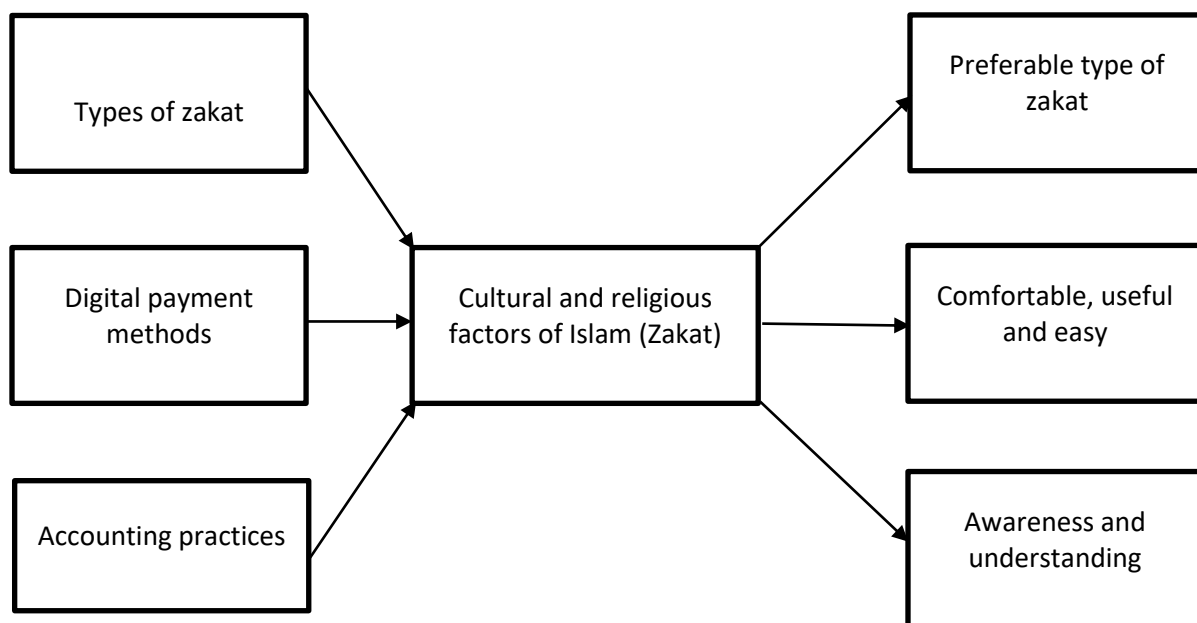


Figure 3: Theoretical framework.

The theoretical framework above incorporates the cultural and religious factors related to Islam, types of zakat, digital payment methods and accounting practices. Cultural and religious factors, Islamic beliefs and teachings shows that the fundamental principles of Islam emphasize the importance of zakat as a religious obligation and its role in promoting social justice and economic well-being. Cultural norms and practices, this is to investigate how cultural norms and practices influence individuals' perceptions and attitudes towards zakat, digital payments and accounting practices. The type of zakat, there are few types of zakat, in this study is to investigate which types of zakat has more payer and what is the preferable types of zakat. Then, digital payment methods, to find out whether the digital payment method is comfortable or easier to use or maybe the payers prefer to pay traditionally such as go to counter. Last but not least, accounting practices. To examine the awareness and understanding of zakat accounting, whether the payer are highly aware and understand the meaning or purpose of zakat accounting. In the figure 3 shows the relationship from the left side which is research objective, the middle one is the factors and the right side is the effect.

Research Methodology

As the basis, this study use quantitative method to measure the research objective. This study encompasses 200 customers which is zakat payers in Miri, Sarawak. The choice of sample size depends on several factors which is the size of the population, desire to be precise and also depend on availability of resources such as time, budget and etc. In general, a larger sample size tends to provide more precise estimates and reduce sampling error. A sample size of 200 is often considered a reasonable balance between precision and practicality. It is large enough to provide reasonably accurate estimates, especially when the population size is large. Additionally, a sample size of 200 allows for a margin of error that is typically acceptable in many research studies. This study focus on the deeper understanding and exploration of accounting practices related to zakat. The customer are important for zakat accounting because they play a crucial role in determining the amount of zakat that a business or organization should pay. In zakat accounting, customers are considered as a source of income for businesses. The zakat calculation is based on the net assets of a business, which includes the value of goods and services sold to customers. Therefore, accurate and up-to-date information about customer transactions is essential for zakat accounting. This study will not focus on calculation of zakat accounting but it will focus on the three research objective that need to be achieve. Data will be collected by using questionnaires and also google form. To choose samples from target population, a simple random sampling method was used. Simple random sampling method is a basic sampling method where each member of the population has an equal chance of being selected (Taherdoost, 2016). Only 165 customers answered the 200 questionnaires and google forms, giving the survey a response rate of 82.5 percent.

This research questionnaire is divided into three components. The question in the first section is about the demographic profile of zakat payers. Next section inquired about which types of zakat that they pay and how they pay their zakat, as well as if the digital payment for zakat is convenient for them or not. Finally, the customers require to answer on how high the level of awareness about zakat accounting and what they understand about zakat accounting which is in the last section of the questionnaire. The data was examined with SPSS software version 26 and descriptive analysis was used to explain the results. To have better understanding of the data, tables were used to show it.

Findings and Discussion*Demographic of Respondents*

The respondent demographic information was test using descriptive statistics presented in Table 3.

Table 3
Demographic Profile

		Frequency	Percentage (%)	
1	Gender	Female	110	66.7
		Male	55	33.3
2	Age	<20 years	15	9.1
		20-24 years	68	41.2
		25-29 years	47	28.5
		>29 years	35	21.2
3	Occupation	Government	72	43.6
		Private	56	33.9
		Self-employed	28	16.9
		Retire	9	5.5
4	Household income per month	<RM1,000	5	3.0
		RM1,001 – RM2000	67	40.6
		RM2,001 – RM3000	45	27.3
		>RM3000	48	29.1

Table 3 above shows the number and percentage of respondent's gender for this research. Researcher obtained 110 respondents from the female customers (66.7%), while another 55 respondents were among the male customers (33.3%) who participated in this research. Most of the customers' age is in the range 20-24 years old which is mostly young people who just started to work. Majority of the respondent's occupation is government (43.6%). It is known from this research that 71% have household income of less than RM3000 a month. For such an amount of income especially in a city area, they can be considered as urban poor.

Table 4

What type of zakat that the respondent's pay and the convenient of digital payment

		Frequency	Percentage (%)	
1	What types of zakat that you pay?	Income	48	29.1
		Business	45	27.3
		Savings	39	23.6
		Mal	9	5.5
		Qadha	8	4.8
		Others	16	9.7
2	Can you explain the different types of zakat al-fitr and zakat al-mal?	-Zakat al-fitr is obligatory for every Muslim and need to give before the end of holy month of Ramadan.	158	95.7
		-Zakat al-mal is obligatory charity on wealth that Muslims must give if meet criteria.		
3	Did you use digital payment to pay for zakat. For example, by using online banking.	Not sure/Not remember	7	4.2
		Yes. Online banking	83	50.3
		No. Counter. E-mandate	14 68	8.5 41.2
4	If yes, is it convenient to use digital payment to pay for zakat?	Yes	83	100
		No	0	0
		Not sure	0	0
5	If no, how you pay for your zakat?	Through counter	14	17.1
		E-mandate (Auto deduct)	68	82.9
6	Will you tell your family or friends to pay zakat using digital payment for their convenience? For answer on question number 3.	Yes	76	91.6
		No	0	0
		Not sure	7	8.4

7	Are there any concerns or challenges associated with paying zakat through digital platforms?	Yes (No internet coverage, internet problem and etc)	28	33.7
		No	50	60.2
		Not sure	5	6.0

Table 4 above shows the number and percentage of what type of zakat respondent's pay and the convenient of digital payment. Based on the results above, there are 29.1% of respondents pay for the type of zakat which is income. This is the highest percentage between other types of zakat provided by researcher. Most of the respondent can explain for question 2 which is 95.7% of them while 4.2% of the respondent not sure or not remember. Then, for the digital payment, there are 50.3% of the respondent answer yes which means they are using the digital payment (online banking) to pay for their zakat while 8.5% answer no because they pay their zakat over the counter and 41.2% use e-mandate which is directly deduct from their salary. Those who answering yes for using digital payment is 100% found convenient to use digital payment to pay for their zakat. 91.6% of the respondent choose to share about digital payment to their friend and family. Most of the respondent found no concerns or challenges while using digital platforms to pay for their zakat which is 60.2% of them.

Table 5

Level of awareness and understanding about zakat accounting

			Frequency	Percentage (%)
1	Are you familiar with the concept of zakat accounting?	Yes	150	90.9
		No	0	0
		Not sure	15	9.1
2	If yes, how familiar are you?	Fully familiar	129	86
		A little bit	15	10
		Not sure	6	4
3	Main benefits of practicing zakat accounting?	Fulfil the needs of religion	104	63.0
		Help other's people in need	59	35.8
		Share wealth with others	2	1.2
	Are you familiar with the different types of assets and income that are subject to zakat accounting?	Yes	149	90.3
		No	12	7.3
		Not sure	4	2.4
	What resources or tools do you rely on to ensure accurate and compliant zakat accounting?	Zakat calculators	98	59.4
		Zakat guides and books	5	3.0
		Financial management software	60	36.4
		Professional advice	2	1.2

Table 5 shows the results of level awareness and understanding about zakat accounting. There are 90.9% of the respondent familiar with the concept of zakat accounting and 86% of those who fully familiar about the concept. Most of the respondents answer that main benefits of practicing the zakat accounting is to fulfil the needs of religion, where there is

63.0% of the respondent answer this. The other 35.8% of the respondent answer that the main benefits is to help other's people in need and 1.2% answer to share the wealth with others. Then, 90.3% of the respondent answer that they are familiar with the different types of assets and income that are subject to zakat accounting. Last but not least, most of the respondents which is 59.4 use zakat calculators to ensure accurate and compliant zakat accounting. Zakat calculators can be found on the zakat website or application which is known as MyZakat. This application is created by "Pusat Pungutan Zakat MAIWP".

It can be concluded that majority of the respondent that join this research is from the age 20-24 years old (41.2%) while those below 20 years (9.1%), those from 25-29 years old (28.5%) and those that over 29 years old (21.2%). This shows that those from the age 20-24 years old is easily to be found, they are independent people with occupation and mostly still enjoy their life. In the time they working to get income, they did not forget to pay their zakat and help those people in need. Most of the respondent also working at a government side which is 43.6% while private side is 33.9%. For the household income, mostly of the respondents gain income from between RM1,001 – RM2000 which is 40.6% of them. From this result, most of them have minimum wages but still the respondents pay for their zakat which is pay for zakat is a must in Islam.

The types of zakat that the researcher insert inside section 2 is Income, Business, Savings, Mal, Qadha and Others. This type of zakat follows the one that on yearly report from MAIWP. For this question, most of the respondents pay their zakat for income, which is there are 29.1% of them choose income. Next, for question number 2 which is explanation for the different types of zakat al-fitr and zakat al-mal. This question is to test the respondents whether they aware of the differences and fortunately there are 95.7% of the respondents can explain the different.

For digital payment, there are 50.3% of the respondents pay their zakat use digital payment which is online banking. They can use their own online banking to access to the payment for zakat. It is easy and more convenient for those who are comfortable to use online banking. The other respondents go over the counter to pay (8.5%) and 41.2% use e-mandate which their zakat payment directly deduct from their salary. Those respondents who answer yes for using digital payment, 100% agree that digital payment is convenient. If it is something convenient, for sure it should be share to friends and family. There are 91.6% agree to share about the convenient of digital payment. This percentage is from the respondents that answer yes in question number 3. The respondents has no concerns or challenges while using the digital payment to pay zakat, which is 60.2% of them while 33.7% of the respondents answer yes because they sometime has no internet coverage, internet problem and etc.

For the level of awareness about zakat accounting, 90.9% of the respondents familiar with the concept of zakat accounting and among them, 86% is fully familiar with it. The main benefits of practicing the zakat accounting, there are 63% that answer it is to fulfil the needs of religion while 35.8% answer that it is to help other's people in need and 1.2% answer that it is to share wealth with others. Then, there is 90.3 % of the respondents familiar with the different types of assets and income that are subject to zakat accounting. Last but not least, most of the respondents use zakat calculators as a tools to ensure the accurate and compliant

to zakat accounting which is 59.4% of them while others is zakat guides and books (3.0%), financial management software (36.4%) and professional advice (1.2%).

Conclusion

It can be concluded that the majority of the respondents who participated in the research study were between the ages of 20-24 years old. Additionally, most of the respondents were found to be working in the government sector. Furthermore, it was observed that even though most of the respondents had minimum wages, they were still able to afford to pay for zakat. These findings suggest that there is a significant proportion of young individuals in the age range of 20-24 who are working in the government sector and are able to fulfill their religious obligation of paying zakat despite having limited income. This may indicate a positive trend in terms of financial management and commitment to religious practices among this specific demographic group. However, it is important to note that these conclusions are based on the limited information provided and may not be applicable to the broader population without further research and analysis.

The researcher provided various types of zakat that the respondents were asked about, including income, business, savings, mal, qadha, and others. It was found that the majority of the respondents paid their zakat for income. This suggests that income zakat is the most commonly understood and practiced form of zakat among the respondents. Furthermore, it was observed that most of the respondents were aware of the differences between zakat al-fitr and zakat al-mal. This indicates a level of knowledge and understanding about the different types of zakat obligations. In terms of payment methods, it was found that most of the respondents used digital payment, specifically online banking, to pay their zakat. This highlights the increasing trend of utilizing technology for financial transactions, even in religious practices such as zakat payment. Additionally, the research revealed that most of the respondents had a high level of awareness about zakat accounting. This suggests that they were knowledgeable about the importance of accurately calculating and accounting for their zakat payments.

Lastly, it was found that zakat calculators were commonly used by the respondents to calculate their zakat payments. This indicates that they relied on digital tools and resources to ensure the accuracy and efficiency of their zakat calculations.

Overall, these findings suggest that the respondents demonstrated a good level of understanding and engagement with zakat practices, including different types of zakat, payment methods, accounting, and the use of zakat calculators.

To the best of our knowledge, no previous studies have investigated this topic. This study fills a gap in the literature, as there is a dearth of research on this particular subject. Limited research has been conducted on this topic, making this study one of the first to explore it. Additionally, there is a lack of existing literature pertaining to this study's focus, highlighting the need for further investigation.

For further studies, focus on the effectiveness and efficiency of different methods of payment of zakat, such as online payment systems and their impact of the collection and distribution of zakat funds. Research could be conducted to assess the level of awareness about zakat among different groups of people such as individuals, businesses and organizations. This

could help identify gaps in knowledge and develop targeted educational campaigns to increase awareness and understanding of zakat. Further investigation could be done on the practices of zakat accounting, including the development of standardized accounting frameworks and guideline specific to zakat. This would help ensure transparency, accountability and consistency in zakat accounting practices across different entities. Last but not least, longitudinal studies could be conducted to track the impact of zakat payments on recipients and society over time. This could include assessing the effectiveness of zakat in poverty alleviation, economic development and social welfare and identifying any challenges or areas for improvement.

References

- Abu Bakar, N. B. (2007). A Zakat Accounting Standard (ZAS) for Malaysian companies. *American Journal of Islam and Society*, 24(4), 74–92.
- Abu-Nimer, M. (2000). A framework for nonviolence and peacebuilding in Islam. *Journal of Law and Religion*, 15(1/2), 217.
- Anuar, F. S., Alwi, N. M., & Ariffin, N. M. (2019). Financial Management Practices and Performance of Zakat Institutions in Malaysia. *IPN Journal of Research and Practise in Public Sector Accounting and Management*, Vol. 9, No. 1, pp. 1-26.
- Establishment of Bank Islam Malaysia Berhad. Bank Islam Malaysia Berhad. <https://www.bankislam.com/corporate-info/resources/our-history>
- Islamic Accounting. (2013). IAS Plus. Islamic accounting. <https://www.iasplus.com/en/resources/topics/islamic-accounting>
- Ismail, A. G., Tohirin, A., & Ahmad, M. A. J. (2015). Debate on Policy. Issues in the Field of Zakat on Islamic Bank Business (No. 1435-3). *The Islamic Research and Teaching Institute (IRTI)*.
- Lubis, M., Omar, Y., Yaacob, N. I., & Dahlan, A. R. A. (2011). Enhancement of Zakat Distribution Management Malaysia. Conference series: International Management Conference (IMAC 2011)
- M A Zaaba, N., 'Iffah, & Hassan, R. (2020). Calculation, distribution and disclosure of zakat in Malaysian Islamic Banks (Pengiraan, Pengagihan, Dan Pendedahan zakat di bank-bank Islam di Malaysia). *Journal of Islam in Asia (E-ISSN 2289-8077)*, 17(2), 162–181.
- Meerangani, K. A. (2019). The effectiveness of zakat in developing Muslims in Malaysia. *Insaniyat: Journal of Islam and Humanities*, 3(2), 127–138.
- Meerangani, K. A. (2019). The Role of Zakat in Human Development. *SALAM Jurnal Sosial dan Budaya Syar i*, 6(2):141-154.
- Migdad, A. (2019). Managing Zakat Through Institutions: Case of Malaysia. *International Journal of Islamic Economics and Finance Studies*.
- Murata, S., & Chittick, W. C. (1994). The vision of Islam, IB Tauris, London, p. 16 Redistribution of Wealth: Zakat is a mechanism for redistributing.
- Perbadanan Baitulmal Negeri Sabah. <https://baitulmal.sabah.gov.my/>
- PPZ – MAIWP. (2022). Ringkasan Laporan Zakat 2022.
- Pusat pungutan zakat-MAIWP – Memudahkan Anda Berzakat. <https://www.zakat.com.my/>
- Rahim, M. A. A., Shah, N. A., & Bhuiyan, A. B. (2022). The Students' Awareness Towards Zakat Role Amon University Students In Selangor, Malaysia. *International Conference on Sustainable Practices, Development and Urbanisation*.

- Sahaluddin, N. S. S. B., & Mokhtar, W. K. A. W. (2019). The Awareness of Zakat in the Universal Society. *International Journal of Academic Research in Business & Social Sciences*, 9(11), 647-651.
- Sulaiman, M., Mohamad, M. H. S., Rashid, H. M. A., Siraj, S. A., & Nuhu, I. (2016). Accounting and Accountability of Waqf, Zakat and Baitul Mal (WZB) in Malaysia: A Review of Literature. *IPN Journal* 6, (1): 1-12.
- Surah.my. Terjemahan Al Quran Bahasa Melayu - Surah Asy-Syams. <https://www.surah.my/91>
- Tabung Baitulmal Majlis Islam Sarawak. <https://www.tbs.org.my/www/>
- Taheri, R. M. (2001). The basic principles of Islamic economy and their effects on accounting standard-setting. Available at <http://www.islamic-finance.net/islamicaccounting/acctg6.html>
- Tajuddin, T. (2017). Business Zakat Accounting And Its Assessment. 10. 1-16
- Trokic, A. (2015). Islamic Accounting; History, Development and Prospects. *European Journal of Islamic Finance*, 2. <https://doi.org/10.13135/2421-2172/1043>.
- Ya'qūb, K. M. ibn, & Sarwar, M. (2015). Al-Kafi: English translation. The Islamic Seminary, Inc.